

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
USIA-06 IO-13 AF-10 AID-05 EB-08 OMB-01 TRSE-00
SSO-00 /108 W
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FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 7301
INFO AMEMBASSY ANKARA
AMEMBASSY JIDDA
AMEMBASSY TRIPOLI

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SUBJ: IRANIAN/TURKISH ECONOMIC RELATIONS

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SUMMARY. BILATERAL ECONOMIC RELATIONS BETWEEN IRAN AND TURKEY ARE STILL IMPEDED BY THE UNRESOLVED ISSUE OF TURKISH TIR TRANSIT TAXES. EVEN WERE THAT IMPEDIMENT OVERCOME, GOI SOURCES ARE NOT OPTIMISTIC CONCERNING PROSPECTS OF IMPLEMENTING CREDIT ASSISTANCE ENVISAGED IN THE OCTOBER 1975 DOLS 1.2 BILLION PROTOCOL. ANALYSIS CONTAINED IN REF A AND PRVIOUS, I.E., MUTUAL PRIDE AND INTRANSIGENCE BASED ON CULTURAL/HISTORICAL FACTORS, STILL APPLIES. END SUMMARY.

1. THE FIRST AND ONLY MEETING OF THE IRANO-TURKISH JOINT MINISTERIAL COMMISSION FOR ECONOMIC AND TECHNICAL COOPERATION MET IN ANKARA IN OCTOBER 1975. THAT MEETING RESULTED IN THE INITIALING OF THE BILATERAL ECONOMIC PROTOCOL WHICH CONTAINED IRAN'S COMMITMENT OF DOLS 1.2 BILLION IN CREDITS TO TURKEY, ABOUT HALF OF
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WHICH RELATED TO IMPROVING TURKEY'S TRANSPORTATION FACILITIES. TURKEY'S UNEXPECTED IMPOSITION OF TIR TRANSIT TAXES IN JANUARY 1976 RESULTED IN IRAN'S TRUCKS PAYING THE HIGHER 40 KURUS PER TON/KM TAX SINCE NO BILATERAL TRANSIT AGREEMENT WAS NEGOTIATED. IRAN, WHICH UNDER A PREVIOUS BILATERAL TRANSIT AGREEMENT PAID BUT 9 KURUS PER TON/KM, CONTINUES TO HOLD OUT FOR PREFERENTIAL TREATMENT IT BELIEVES DUE A FRIENDLY NEIGHBOR, MUCH LESS ONE PRE-

PARED TO PROVIDE SIGNIFICANT CREDITS. MEANWHILE, IRANIAN TRANSPORT COMPANIES HAVE EITHER ENTERED INTO PARTNERSHIP WITH FOREIGN FIRMS IN ORDER TO ENJOY THE 25 KURUS RATE ASSIGNED CARRIERS OF COUNTRIES WITH TRANSIT BILATERALS OR ARE PAYING, AS ONE FIRM REPORTED TO EMBASSY, BETWEEN DM 2,600 - 2,700 PER 19/20 TON TRUCK. ADDITIONALLY, ACCORDING TO GOI SOURCES, IRANIANS ARE SUBJECTED TO VARIOUS CHARGES WHICH ARE SEEN AS HARASSMENT, SUCH AS A REJECTION OF PAYMENT IN IRANIAN RIALS AND THE REQUIREMENT THAT IRANIAN TRUCKERS ENTER TURKEY WITH DOLLARS AND PAY TAXES IN US DOLLARS OR OTHER HARD CURRENCY. FURTHER, IT IS ALLEGED THAT TURKEY IS NOT FULFILLING AN AGREEMENT TO MAN THE BORDER CROSSINGS AROUND THE CLOCK, WHEREAS IRAN DOES, RESULTING IN LONG LINES OF TRUCKS WAITING CUSTOMS PROCESSING ON THE TURKISH SIDE.

2. MINISTRY OF ECONOMIC AFFAIRS AND FINANCE DIRECTOR GENERAL IN CHARGE OF INTERNATIONAL AFFAIRS WITH ASIA AFRICA, MIRBAHA, DISCUSSED BILATERAL RELATIONS WITH ECONOFF MARCH 6. HE SAID THAT RELATIONS THROUGH THE RCD AND CENTO CONTINUE SMOOTHLY BUT THAT BILATERAL RELATIONS ARE AT A STANDSTILL, ESSENTIALLY SINCE OCTOBER 1975. HE SEES THE TURKISH AMBASSADOR FREQUENTLY BUT NOTHING OF SUBSTANCE HAS OCCURED TO MOVE THE BASIC TRANSIT IMPASSE OVER THE LAST TWO YEARS. HE MAINTAINS THAT THE MAJOR ISSUE IMPEDING ECONOMIC COOPERATION, THAT OF THE TRANSIT TAX, IS NOT APPROACHED BY THE GOI FROM THE FINANCIAL POINT, BUT RATHER SEEN AS A MEASUREMENT OF THE GOT'S SPIRIT IN ITS RELATIONS LIMITED OFFICIAL USE

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WITH IRAN. THE GOI IS ON RECORD WITH THE GOT AS READY TO CONVENE ANOTHER MINISTERIAL MEETING TO TRY AND RESOLVE THE IMPASSE, BUT THE TURKISH AMBASSADOR DEMURS, REFERRING TO THE UNSUCCESSFUL VISIT TO TEHRAN OF THE MINISTERS OF TRANSPORT AND FINANCE IN NOVEMBER 1976 (REPORTED IN REF A). MIRBAHA SAID IT IS THE GOI'S BELIEF THAT THOSE TWO MINISTERS HAVE THE AUTHORITY TO REDUCE THE TAX OR EVEN TO EXEMPT A COUNTRY FROM IT. IN ANY EVENT, NO DISCUSSIONS ARE SCHEDULED ON THIS ISSUE AND MIRBAHA IS DOUBTFUL OF ANY IMMINENT PROGRESS ON THIS ISSUE, A PREREQUISITE TO PROGRESS ON OTHER ECONOMIC ISSUES.

3. MIRBAHA LISTED TWO OTHER INTER-RELATED ISSUES WHICH MUSH BE RESOLVED BEFORE THE CREDITS IDENTIFIED IN THE PROTOCOL COULD BE DISBURSED: 1) THE GOI INSISTS THAT TURKEY SUBMIT FEASIBILITY STUDIES FOR EACH PROJECT IDENTIFIED IN THE PROTOCOL; THE GOT ALLEGEDLY RESISTS THIS; AND 2) THE GOI WILL THEN DISBURSE ON THE BASIS OF PROJECT PROGRESS REPORTS, NOT, AS THE GOT DESIRES, GENERAL DRAWDOWNS AGAINST THE DOLS 1.2 BILLION CREDIT.

4. MIRBAHA SAID THAT THE GOI FULLY APPRECIATES TURKEY'S ECONOMIC SITUATION AND IS WILLING TO FULFILL ITS ECONOMIC PROTOCOL WHEN THE GOT ACTS IN GOOD SPIRIT. IT IS, WITH SOME JUST-

TIFICATION, SUSPICIOUS THAT THE GOT WANTS TO DRAW AGAINST THE PROPOSED CREDITS FOR BALANCE OF PAYMENTS NEEDS, NOT TO ADVANCE THE PROJECTS IDENTIFIED. MIRBAHA SAID THAT IRAN HAS TOLD TURKEY, "IF YOU WANT BALANCE OF PAYMENTS ASSISTANCE, (E.G., SAY A LOAN OF DOLS 100 TO 200 MILLION), SAY SO." THIS IS NOT TO SAY THAT THE GOI IS THAT READY TO LEND; RATHER IT WANTS THE GOT TO SPECIFY ITS BORROWING PURPOSES AND, NOT INCIDENTALLY, ASSUME A BIT THE SUPPLICANT'S POSITION.

5. COMMENTS ON SPECIFIC POINTS RAISED IN ANKARA 1657
WILL BE ADDRESSED IN A SEPARATE MESSAGE.
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